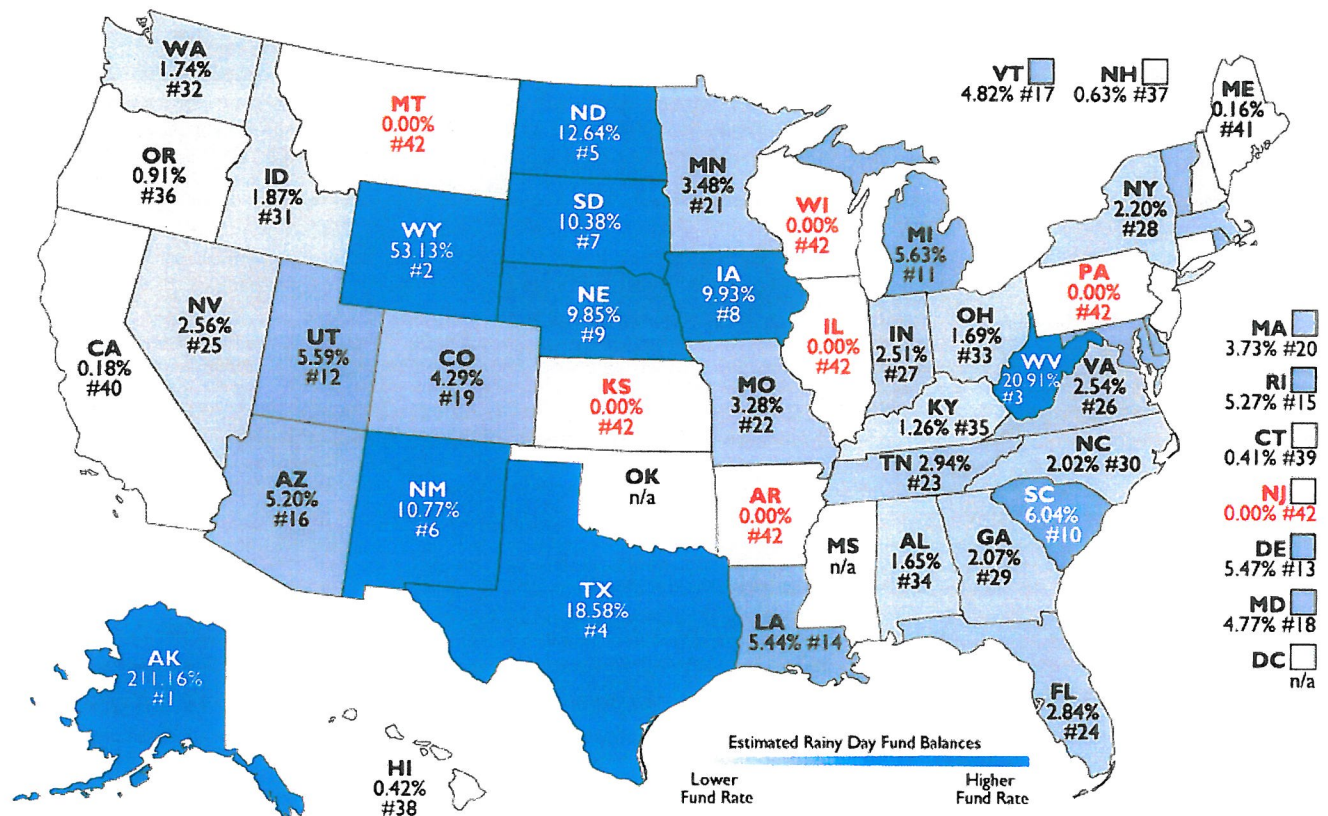


Rainy Day Fund Balance as a Percent of Annual General Fund Spending (FY 2013)



Source: National Association of State Budget Officers (NASBO), *Fiscal Survey of the States*, Spring 2013.

Note: Data not available for Oklahoma, Mississippi, or the District of Columbia.

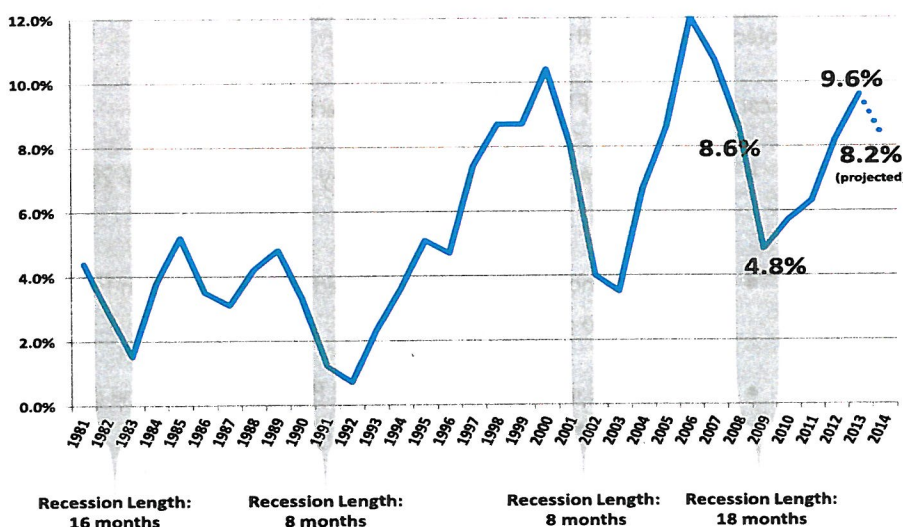
taxfoundation.org/maps

A LONGER VIEW OF STATE FISCAL CONDITIONS

The most important external factor affecting state finances—and, consequently, year-end balances—is the national economy. The lowest levels reported in state balances during the last 30 years coincided with national economic downturns. During the recession in the early 1980s, state balances fell to 1.5 percent of general fund spending. They fell even further, to 0.7 percent, during the early 1990s recession. Balances declined during the economic downturn that began in 2001, but not to the low levels experienced in previous decades. As the economy recovers, state finances typically improve and year-end balances tend to rise. One of the larger gains in recent history occurred after the recession that began in 2001. Aggregate year-end balances rose sharply from 3.5 percent in FY 2003 to 12 percent in FY 2006. Balances declined again during the Great Recession (See Figure 1).⁶

Year-end balances throughout the Great Recession and subsequent recovery have been more difficult to evaluate because of the influence of the American Recovery and Reinvestment Act (ARRA) on state finances. Balances declined to 4.8 percent in FY 2009, but most likely would have fallen further without these funds. Following the trough of FY 2009, year-end balances have slowly increased and at the close of FY 2013 are estimated at 9.6 percent—exceeding pre-recession

Figure 1. State Year-End Balances as a Percentage of General Fund Expenditures FY 1981 to FY 2014 (projected)



Source: NCSL survey of legislative fiscal offices, various years.

⁶ According to the National Bureau of Economic Research, the Great Recession began in December 2007 and ended in June 2009.

levels for the first time in half a decade—but are projected to dip to 8.2 percent in FY 2014.⁷

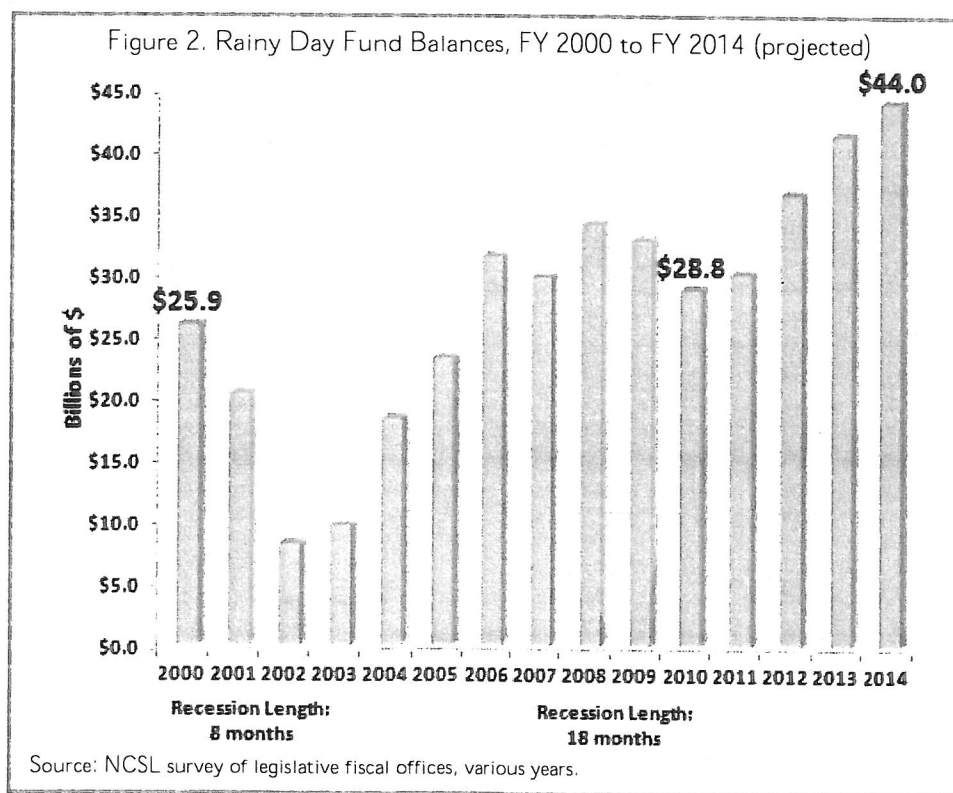
The year-end balance figures for FY 2013 and FY 2014 seem to indicate an important turnaround in the condition of state budgets. However, in any given year, the fiscal situation in a handful of states might have a disproportionate effect on national totals. Two states—Alaska and Texas—hold nearly half of all state year end balances, so their substantial reserves skew the national average. If balances in Alaska and Texas are omitted from the calculation, the aggregate year-end balance drops to 6.4 percent in FY 2013 and 5.3 percent in FY 2014.

Rainy Day Funds

Important components of state budgets are rainy day funds often called, budget stabilization accounts, which exist in 46 states.⁸ Because these funds represent additional resources available to states, they typically are added to general fund closing balances to show the total reserves states have available. In some cases, however, these funds are subject to restrictive withdrawal provisions that might limit their use.

Increasingly, rainy day fund balances account for the bulk of total year-end balances. In FY 2013, they accounted for 61 percent of the total. That proportion is projected to grow to 74 percent by the close of FY 2014.

As Figure 2 demonstrates, lawmakers tend to build up rainy day fund balances when revenue growth is robust and turn to these funds to help close budget gaps. For example, strong economic conditions in the late 1990s contributed to the increase in rainy day fund balances. When a recession hit in 2001 and state fiscal conditions deteriorated, lawmakers tapped these funds to help bring budgets into balance. As a result, the balances declined from \$25.9 billion in FY 2000 to \$8.1 billion in FY 2002.

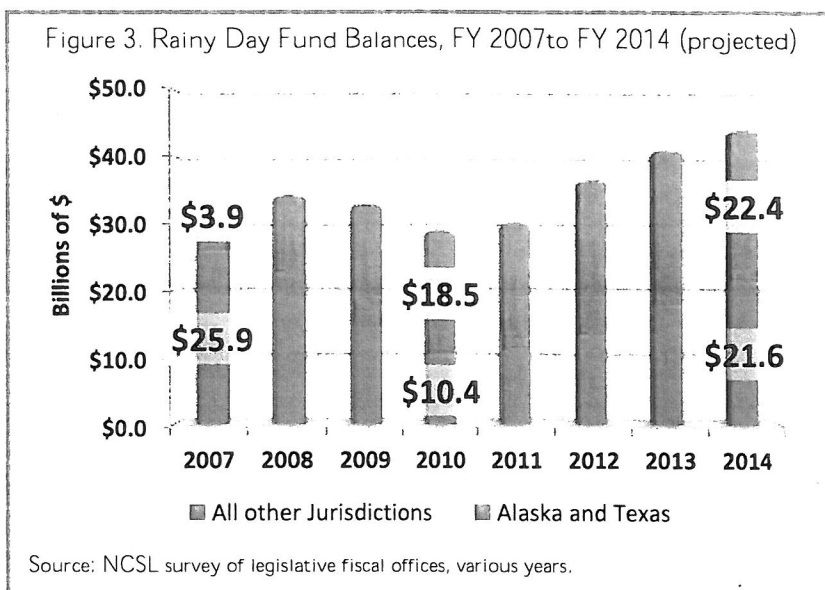


7. Connecticut and Missouri have been removed from the year-end balance calculations for FY 2012, FY 2013 and FY 2014. In Connecticut, the data is not comparable due to a change in how Medicaid is budgeted. In Missouri, a projected closing balance estimate for FY 2014 was not available at the time of publishing.

8. Colorado, Kansas, Montana and New Mexico do not have rainy day funds. Colorado has a "required reserve," and New Mexico has a "restricted reserve," which some public finance experts count as rainy day funds because they serve to help stabilize the general fund budget.

Officials tapped these funds again during the Great Recession and they declined from \$34.1 billion in FY 2008 to \$28.8 billion in FY 2010. Rainy day fund balances were relatively high throughout the Great Recession and subsequent recovery because of large reserves in Alaska and Texas. In FY 2007, these two states accounted for 13.1 percent of cumulative rainy day fund balances, by FY 2012 this figure climbed to 63 percent. When the balances of Alaska and Texas are removed from the tally, rainy day funds fell from \$25.9 billion in FY 2007 to \$10.4 billion in FY 2010 (see Figure 3).

As state budgets have stabilized, rainy day fund balances have grown, even when accounting for Alaska and Texas. In some instances, the growth in these funds is due to deposits from year-end budget surpluses, or repayment requirements as a result of previous withdrawals. In FY 2013, the aggregate rainy day fund balance grew 13 percent, from \$36.5 billion at the end of FY 2012 to \$41.3 billion. By the close of FY 2014, rainy day fund balances are projected to grow 6.8 percent and total \$44 billion.



Appendix A shows the composition of year-end balances for FY 2012 through FY 2014 (projected). The budget stabilization account balances by state for the same fiscal years is shown in appendix B.

Appendix A. Components of State Year-end Balances: FY 2013 and FY 2014 (projected)
--Millions of Dollars--

State	Closing Balance	Budget Stabilization Account	Total Year-end Balance	Year-end Balance as a % of General Fund Spending	Closing Balance	Budget Stabilization Account	Total Year-end Balance	Year-end Balance as a % of General Fund Spending
Alabama**	\$199.5	\$11.2	\$210.7	2.9%	\$0.0	\$229.1	\$229.1	3.0%
Alaska	\$0.0	\$17,115.5	\$17,115.5	197.4%	\$0.0	\$16,531.8	\$16,531.8	204.6%
Arizona	\$693.7	\$454.1	\$1,147.8	13.2%	\$247.8	\$456.3	\$704.1	8.0%
Arkansas	\$106.4	\$5.6	\$112.0	2.4%	\$101.8	\$32.9	\$134.7	2.7%
California	\$872.0	\$254.0	\$1,126.0	1.2%	\$1,689.0	\$1,071.0	\$2,760.0	2.9%
Colorado	\$373.0	\$0.0	\$373.0	4.7%	\$495.0	\$0.0	\$495.0	5.9%
Connecticut*	\$279.9	\$93.3	\$373.2	--	\$4.4	\$113.3	\$117.7	--
Delaware	\$161.4	\$198.9	\$360.3	9.9%	\$85.3	\$201.7	\$287.0	7.5%
District of Columbia	\$1,125.6	\$328.5	\$1,454.1	21.9%	\$969.5	\$337.0	\$1,306.5	18.4%
Florida	\$2,415.3	\$708.6	\$3,123.9	12.5%	\$1,652.3	\$924.7	\$2,577.0	9.5%
Georgia	\$0.0	\$600.0	\$600.0	3.1%	\$0.0	\$600.0	\$600.0	3.0%
Hawaii	\$642.5	\$24.2	\$666.7	11.6%	\$577.4	\$81.7	\$659.1	10.3%
Idaho	\$79.9	\$203.0	\$282.9	10.1%	\$56.7	\$205.4	\$262.1	9.4%
Illinois	\$819.0	\$275.0	\$1,094.0	3.1%	-\$89.0	\$275.0	\$186.0	0.5%
Indiana	\$1,428.0	\$370.1	\$1,798.1	11.9%	\$1,105.0	\$373.1	\$1,478.1	9.8%
Iowa	\$540.7	\$622.4	\$1,163.1	18.1%	\$584.0	\$649.1	\$1,233.1	19.0%
Kansas	\$604.4	\$0.0	\$604.4	9.8%	\$521.2	\$0.0	\$521.2	8.7%
Kentucky	\$40.0	\$121.7	\$161.7	1.7%	\$0.0	\$72.7	\$72.7	0.7%
Louisiana	\$0.4	\$445.0	\$445.4	5.4%	\$3.1	\$447.0	\$450.1	5.4%
Maine	\$7.7	\$50.0	\$57.7	1.9%	-\$1.9	\$50.0	\$48.1	1.5%
Maryland	\$557.6	\$701.1	\$1,258.7	8.6%	\$293.9	\$768.4	\$1,062.3	6.8%
Massachusetts	\$0.0	\$1,456.0	\$1,456.0	4.5%	\$0.0	\$1,293.0	\$1,293.0	3.8%
Michigan**	\$815.4	\$508.6	\$1,324.0	6.4%	\$18.6	\$588.6	\$607.2	2.8%
Minnesota	\$0.0	\$1,006.5	\$1,006.5	5.3%	\$125.6	\$1,006.6	\$1,132.2	6.0%
Mississippi	\$54.2	\$46.6	\$100.8	2.0%	\$50.3	\$120.7	\$171.0	3.4%
Missouri	\$447.1	\$504.5	\$951.6	--	--	\$550.0	\$550.0	--
Montana	\$435.0	\$0.0	\$435.0	21.6%	\$337.9	\$0.0	\$337.9	15.7%
Nebraska	\$814.7	\$384.1	\$1,198.8	33.4%	\$257.9	\$679.4	\$937.3	24.4%
Nevada	\$212.7	\$84.7	\$297.4	8.9%	\$180.9	\$0.0	\$180.9	5.5%
New Hampshire	\$56.9	\$9.3	\$66.2	5.2%	\$26.8	\$9.3	\$36.1	2.7%
New Jersey	\$466.7	\$0.0	\$466.7	1.5%	\$302.8	\$0.0	\$302.8	0.9%
New Mexico	\$570.8	\$0.0	\$570.8	10.1%	\$450.0	\$0.0	\$450.0	7.6%
New York	\$1,610.0	\$1,306.0	\$2,916.0	4.9%	\$1,709.0	\$1,306.0	\$3,015.0	4.9%
North Carolina	\$277.8	\$651.4	\$929.2	4.6%	\$250.5	\$688.5	\$939.0	4.6%
North Dakota	\$1,472.8	\$583.5	\$2,056.3	93.8%	\$793.7	\$583.5	\$1,377.2	41.0%
Ohio	\$2,020.4	\$482.0	\$2,502.4	12.3%	\$44.8	\$1,477.9	\$1,522.7	7.2%
Oklahoma	\$253.0	\$577.5	\$830.5	15.6%	\$297.3	\$577.5	\$874.8	15.6%

Appendix A. Components of State Year-end Balances: FY 2013 and FY 2014 (projected)
--Millions of Dollars--

State	Closing Balance	Budget Stabilization Account	Total Year-end Balance	Year-end Balance as a % of General Fund Spending	Closing Balance	Budget Stabilization Account	Total Year-end Balance	Year-end Balance as a % of General Fund Spending
Oregon	\$291.0	\$69.4	\$360.4	5.1%	-\$194.0	\$291.3	\$97.3	1.3%
Pennsylvania	\$540.9	\$0.1	\$541.0	2.0%	\$5.6	\$1.9	\$7.5	0.0%
Puerto Rico	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	\$0.0	0.0%
Rhode Island	\$93.4	\$172.0	\$265.4	8.2%	\$0.4	\$173.7	\$174.1	5.2%
South Carolina	\$159.8	\$394.3	\$554.1	9.1%	\$2.7	\$410.0	\$412.7	6.5%
South Dakota	\$0.1	\$134.7	\$134.8	10.0%	\$1.7	\$158.9	\$160.6	12.1%
Tennessee	\$630.0	\$356.0	\$986.0	8.1%	\$0.3	\$456.0	\$456.3	3.5%
Texas	\$2,342.2	\$6,127.8	\$8,470.0	20.0%	\$1,288.8	\$5,861.6	\$7,150.4	15.4%
Utah**	\$230.0	\$396.0	\$626.0	12.3%	\$0.0	\$396.0	\$396.0	7.6%
Vermont	\$0.0	\$74.4	\$74.4	5.4%	\$0.0	\$80.9	\$80.9	5.9%
Virginia	\$505.2	\$436.2	\$941.4	5.5%	\$11.6	\$680.9	\$692.5	3.9%
Washington	\$94.7	\$268.7	\$363.4	2.3%	\$50.9	\$409.2	\$460.1	2.8%
West Virginia	\$512.1	\$914.4	\$1,426.5	33.9%	\$512.1	\$970.0	\$1,482.1	35.8%
Wisconsin	\$669.6	\$125.7	\$795.3	5.6%	\$463.5	\$243.2	\$706.7	4.8%
Wyoming**	\$99.4	\$1,627.5	\$1,726.9	105.2%	\$104.4	\$1,633.6	\$1,738.0	101.8%
Total	\$26,622.9	\$41,280.1	\$67,903.1	9.6%*	\$15,389.6	\$44,068.4	\$59,458.0	8.2%*

N/A= Not available.

*Does not include Connecticut and Missouri.

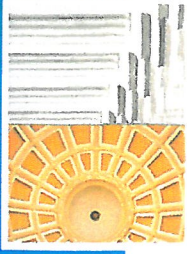
**For the purpose of interstate comparisons, the general fund and other major funds have been combined for these states.

Source: NCSL survey of legislative fiscal offices, 2013.

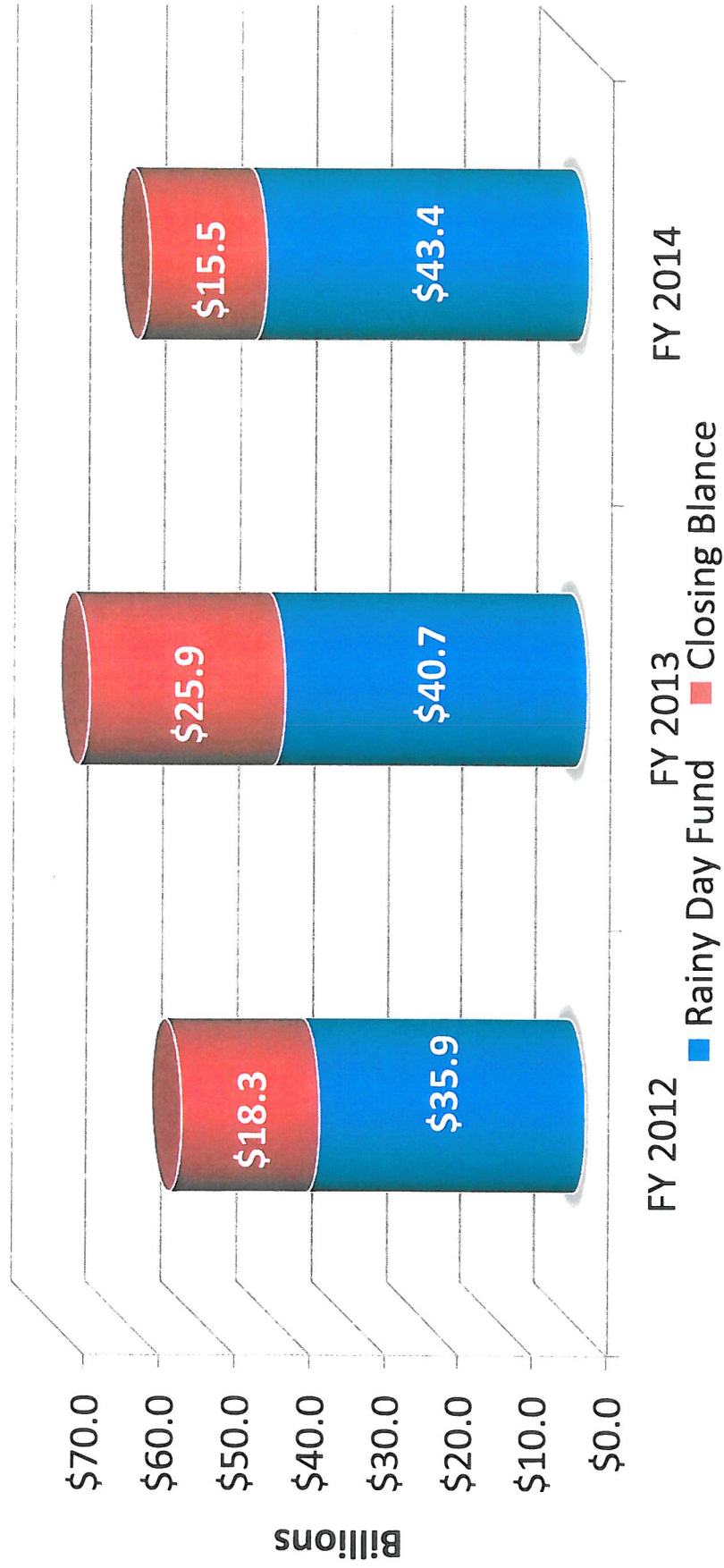
Appendix B. Budget Stabilization Accounts: FY 2012, FY 2013 and FY 2014 (projected)
--Millions of Dollars--

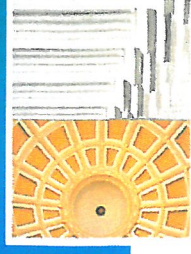
Jurisdiction	FY 2012	FY 2013 (estimated)	FY 2014 (projected)
Alabama	\$0.0	\$11.2	\$229.1
Alaska	\$16,857.9	\$17,115.5	\$16,531.8
Arizona	\$250.1	\$454.1	\$456.3
Arkansas	\$12.0	\$5.6	\$32.9
California	-\$2,233.0	\$254.0	\$1,071.0
Colorado	N/A	N/A	N/A
Connecticut	\$93.3	\$93.3	\$113.3
Delaware	\$186.4	\$198.9	\$201.7
District of Columbia	\$339.0	\$328.5	\$337.0
Florida	\$493.8	\$708.6	\$924.7
Georgia	\$378.0	\$600.0	\$600.0
Hawaii	\$24.2	\$24.2	\$81.7
Idaho	\$65.4	\$203.0	\$205.4
Illinois	\$275.0	\$275.0	\$275.0
Indiana	\$351.6	\$370.1	\$373.1
Iowa	\$601.3	\$622.4	\$649.1
Kansas	N/A	N/A	N/A
Kentucky	\$121.7	\$121.7	\$72.7
Louisiana	\$443.0	\$445.0	\$447.0
Maine	\$44.8	\$50.0	\$50.0
Maryland	\$671.5	\$701.1	\$768.4
Massachusetts	\$1,652.0	\$1,456.0	\$1,293.0
Michigan	\$364.9	\$508.6	\$588.6
Minnesota	\$1,007.6	\$1,006.5	\$1,006.6
Mississippi	\$115.6	\$46.6	\$120.7
Missouri	\$497.8	\$504.5	\$550.0
Montana	N/A	N/A	N/A
Nebraska	\$429.9	\$384.1	\$679.4
Nevada	\$39.2	\$84.7	\$0.0
New Hampshire	\$9.3	\$9.3	\$9.3
New Jersey	\$0.0	\$0.0	\$0.0
New Mexico	N/A	N/A	N/A
New York	\$1,306.0	\$1,306.0	\$1,306.0
North Carolina	\$418.8	\$651.4	\$688.5
North Dakota	\$386.4	\$583.5	\$583.5
Ohio	\$246.9	\$482.0	\$1,477.9
Oklahoma	\$577.5	\$577.5	\$577.5
Oregon	\$160.4	\$69.4	\$291.3
Pennsylvania	\$0.1	\$0.1	\$1.9

Appendix B. Budget Stabilization Accounts: FY 2012, FY 2013 and FY 2014 (projected) --Millions of Dollars--			
Jurisdiction	FY 2012	FY 2013 (estimated)	FY 2014 (projected)
Puerto Rico	\$0.0	\$0.0	\$0.0
Rhode Island	\$153.4	\$172.0	\$173.7
South Carolina	\$288.3	\$394.3	\$410.0
South Dakota	\$86.7	\$134.7	\$158.9
Tennessee	\$306.0	\$356.0	\$456.0
Texas	\$6,133.4	\$6,127.8	\$5,861.6
Utah	\$277.4	\$396.0	\$396.0
Vermont	\$80.5	\$74.4	\$80.9
Virginia	\$303.6	\$436.2	\$680.9
Washington	\$129.5	\$268.7	\$409.2
West Virginia	\$851.3	\$914.4	\$970.0
Wisconsin	\$125.4	\$125.7	\$243.2
Wyoming	\$1,612.5	\$1,627.5	\$1,633.6
Total	\$36,536.4	\$41,280.1	\$44,068.4
Source: NCSL survey of legislative fiscal offices, 2013.			

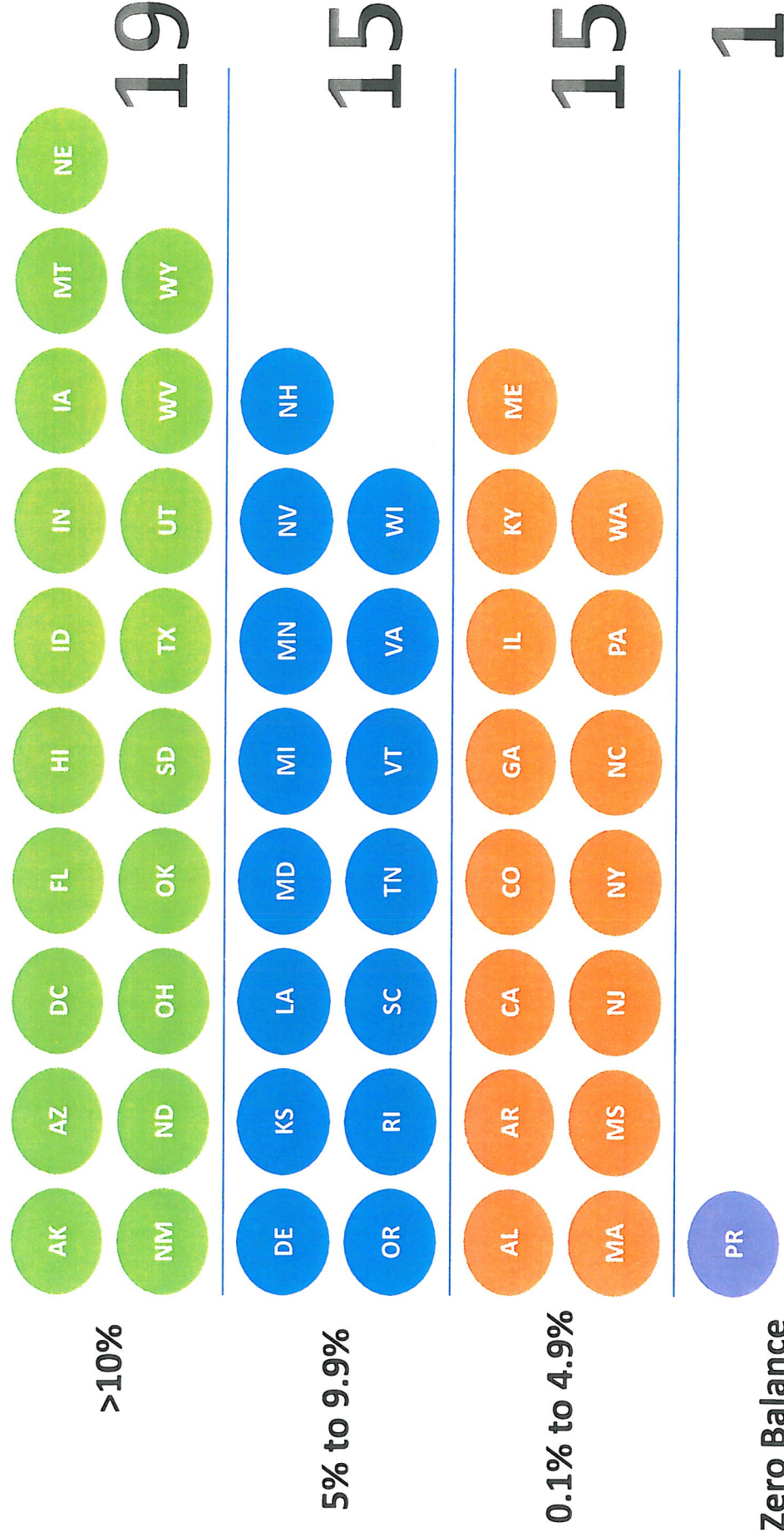


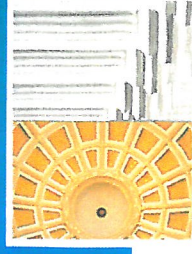
Components of State Year-End Balances FY 2012 to FY 2014 (projected)





State Year-End Balances, FY 2013





State Year-End Balances, FY 2014

